Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matters of	)	
	)	
High-Cost Universal Service Support and	)	WC Docket No. 05-337
Federal-State Joint Board on Universal	)	
Service	)	CC Docket No. 96-45

COMMENTS
of the
SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION

Louisiana Rural Telephone Companies

Cameron Telephone Company, LLC
Campti-Pleasant Hill Telephone Co., Inc.
CenturyTel of Chatham, LLC
CenturyTel of Central Louisiana, LLC
CenturyTel of East Louisiana, LLC
CenturyTel of Evangeline, LLC
CenturyTel of North Louisiana, LLC
CenturyTel of Northwest Louisiana, Inc.
CenturyTel of Ringgold, LLC
CenturyTel of Southeast Louisiana, Inc.
CenturyTel of Southwest Louisiana, LLC
Delcambre Telephone Co., Inc.
East Ascension Telephone Co., LLC
Elizabeth Telephone Company, LLC
Kaplan Telephone Co., Inc.
Lafourche Telephone Co., LLC
Northeast Louisiana Telephone Co., Inc.
Reserve Telephone Co., Inc.
Star Telephone Co., Inc.

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June 6, 2007

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The Small Company Committee of the Louisiana Telecommunications Association ("SCC") hereby submits these comments in response to the Federal Communications Commission's ("Commission") Notice of Proposed Rulemaking seeking comment on the Federal-State Joint Board on Universal Service's ("Joint Board") recommendation that the Commission adopt an interim, emergency cap on high-cost universal service support for competitive eligible telecommunications carriers ("ETCs").[1] The SCC of the Louisiana Telecommunications Association is comprised of the Rural Telephone Companies (47 U.S.C. §153(37)) providing service in the rural areas of Louisiana.[2]

[1] *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 07-88 (released May 14, 2007) (*Notice*); *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 (Fed.-State Jt. Bd., released May 1, 2007) (*Recommended Decision*).
[2] The SCC is comprised of the following Louisiana rural telephone companies: Cameron Telephone Company, LLC, Campti-Pleasant Hill Telephone Co., Inc., CenturyTel of Chatham, LLC, CenturyTel of Central Louisiana, LLC, CenturyTel of East Louisiana, LLC, CenturyTel of Evangeline, LLC, CenturyTel of North Louisiana, LLC, CenturyTel of Northwest Louisiana, Inc., CenturyTel of Ringgold, LLC, CenturyTel of Southeast Louisiana, Inc., CenturyTel of Southwest Louisiana, LLC, Delcambre Telephone Co., Inc., East Ascension Telephone Co., LLC,

On May 1, 2007, the Joint Board recommended that the Commission adopt an interim cap on high-cost universal service support provided to competitive ETCs to stem the dramatic growth in high-cost support.[3] Specifically, the Joint Board recommended that the Commission cap the amount of support that competitive ETCs may receive for each state based on the average level of competitive ETC support distributed in that state in 2006.[4] The SCC supports the adoption of the interim cap on the amount of high-cost support available to competitive ETCs as set forth in the Joint Board's *Recommended Decision.*

Any long term, comprehensive reform of the federal high-cost universal service support mechanisms must include a cap on the amount of funding available to competitive ETCs. The *Recommended Decision* clearly acknowledges that virtually all of the growth in the universal service fund is occurring in the competitive ETC portion of the fund.[5] Federal high-cost support has been rapidly increasing in recent years and, without immediate action to restrain the growth in competitive ETC funding, the federal universal service fund is in dire jeopardy of becoming unsustainable.[6] As explained by the Joint Board:

> Today, the universal service fund provides approximately $4 billion per year in high-cost support. Yet, in 2001 high-cost support totaled approximately $2.6 billion. In recent years, this growth has been due to increased support provided to competitive ETCs which receive high-cost support based on the per-line support that the incumbent local exchange carriers (LECs) receive rather than the competitive ETC's own costs. While support to incumbent LECs has been flat or even declined since 2003, by contrast, in the six years from 2001 through 2006, competitive

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Elizabeth Telephone Company, LLC, Kaplan Telephone Co., Inc., Lafourche Telephone Co., LLC, Northeast Louisiana Telephone Co., Inc., Reserve Telephone Co., Inc., and Star Telephone Co., Inc.

[3] *Notice* at para. 4; *Recommended Decision* at paras. 4-7.

[4] *Recommended Decision* at paras. 5-13.

[5] Id. at para. 4.

[6] Id.

ETC support grew from $15 million to almost $1 billion – an annual growth rate of over 100 percent. Based on current estimates, competitive ETC support in 2007 will reach at least $1.28 billion if the Commission takes no action to curtail this growth.[7]

Accordingly, the Joint Board's *Recommended Decision* represents a necessary and responsible step as the Commission develops a long term solution to stabilize the federal universal service fund. Adoption of the *Recommended Decision* will help bring run-away, excessive funding for competitive ETCs under control, which is indispensable to modernizing the universal service program.

The SCC supports the recommendation of the Joint Board that additional caps on support provided to incumbent LECs are not necessary because the data show less growth pressure from incumbent LECs.[8] In addition, as explained by the Joint Board, incumbent LEC high-cost loop support is already capped and incumbent interstate access support has a targeted limit.[9] Also, local switching support and interstate common line support provided to incumbent LECs have been stable in recent years.[10] The Schools and Libraries and Rural Health Care programs of the USF are also capped.

Moreover, competitive ETCs are not currently required and have been unwilling to produce their own costs in order to receive universal service support. Instead, due to the identical support rule, they receive funding based on the cost structure of the rural incumbent carriers who have already made network investments in rural markets. This means that while the financial support of incumbent telephone companies is limited, the support that the competitive ETCs receive is effectively unlimited. Therefore, the Joint

[7] Id.
[8] Id. at para. 5.
[9] Id., citing 47 C.F.R. Sects. 36.603 and 54.801(a).
[10] Id. at para. 5.

Board has recommended that the Commission immediately impose an interim high-cost support cap, but one that is limited to high-cost support provided to competitive ETCs.[11]

Adopting an interim cap on high-cost support only for competitive ETCs would not violate the Commission's universal service principle of competitive neutrality. As explained by the Joint Board, fundamental differences exist between the regulatory treatment of competitive ETCs and incumbent LECs.[12] For example, competitive ETCs are not subject to the same level of retail rate regulation as are the incumbent LECs.[13] Competitive ETCs do not have the same carrier of last resort obligations that incumbent LECs have.[14] Moreover, under the identical support rule, both incumbent rural LECs and competitive ETCs receive support based on the incumbent rural LECs' costs.[15] Therefore, incumbent rural LECs' support is cost-based, while competitive ETCs' support is not.[16] In addition, receipt of federal universal service support by one carrier based on the costs incurred by another carrier can hardly be considered competitively neutral.[17]

The Joint Board also recommends that the cap on competitive ETC support be applied on a state-by-state basis.[18] The SCC supports this proposal. The Joint Board

[11] Id.
[12] Id. at para. 6.
[13] Id.
[14] Id.
[15] Id.
[16] Id.
[17] The identical support rule is not competitively neutral. When industries use different technologies, deploy different architectures, have different regulatory regimes and expectations, and continue to serve both differing and to some extent overlapping functions, the resulting cost structures necessarily will be very different. As a result, paying identical high-cost fund dollars results in profitability disparities that can be profoundly anti-competitive. Providing identical support to carriers with asymmetric obligations, especially carrier of last resort obligations, cannot be represented as being competitively neutral. The identical support rule is fundamentally anticompetitive, is wasteful and apparently is not grounded in the investment goals that are core to legacy universal service approaches. (*See* Comments of Balhoff & Rowe, LLC on behalf of the Independent Telephone and Telecommunications Alliance, at pp. 24-25).
[18] Id. at para. 9.

explained that a competitive ETC cap applied at a state level effectively curbs growth but allows states some flexibility to direct competitive ETC support to the areas in the state that are most in need of such support.[19] A state-based cap on competitive ETC support will also avoid creating an incentive for each state to designate as many new ETCs as possible.[20] Conversely, a nationwide cap would maintain incentives for states to designate additional competitive ETCs to increase their share of competitive ETC capped support, and would result in competitive ETC support shifting to those states that aggressively designate competitive ETCs during the period of the interim cap.[21] A state-based cap will require newly designated competitive ETCs to share funding with other competitive ETCs within the state.[22]

In addition, the SCC supports adoption of the cap on competitive ETC support for each state at the level of competitive ETC support actually distributed in that state in 2006 for the reasons set forth by the Joint Board in its *Recommended Decision.*[23] Moreover, because the Joint Board recommends an interim cap on competitive ETC support, there is no need to index the cap to a growth factor.[24]

For the reasons set forth above, and by the Joint Board in its *Recommended Decision*, any comprehensive reform of the federal high-cost universal service support mechanisms must include adoption of the *Recommended Decision* of the Joint Board to immediately cap the amount of federal high-cost support available to competitive ETCs.

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[19] Id.
[20] Id.
[21] Id. at note 24.
[22] Id. at para. 9.
[23] Id. at para. 13.
[24] Id.

Therefore, adoption of the Joint Board's *Recommended Decision* is critical to stabilizing the federal universal service fund, and to ensuring its long term sustainability.

Respectfully submitted,

THE SMALL COMPANY COMMITTEE OF THE LOUISIANA TELECOMMUNICATIONS ASSOCIATION

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June 6, 2007

CERTIFICATE OF SERVICE

I, Paul F. Guarisco, hereby certify that a copy of the comments of the Small Company Committee of the Louisiana Telecommunications Association were sent electronically on this, the 6th day of June, 2007, to those listed in the FCC Public Notice 07-88.

By: /s/ Paul F. Guarisco
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